

Message Text

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ACTION EUR-12

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TAGS: EAGR, EEC

SUBJECT: EC SOYBEAN GUIDE PRICE FOR 1975/76

REF: (A) STATE 028001 (B) EC A-258 OF 7/5/73

1. SCHIRATTI AND POLICY-LEVEL OFFICIALS IN THE COMMISSION'S AGRICULTUREAL DIRECTORATE GENERAL WILL NOT BE AVAILABLE UNTIL FEB. 12 OR 13 TO DISCUSS THE POSSIBLE IMPLICATIONS OF THE PROPOSED 1975/76 SOYBEAN GUIDE PRICE, DUE TO COINCIDENCE OF SEVERAL MEETINGS. WE INTEND TO MEET WITH THEM ON FEB. 12-13 TO REVIEW THE POINTS IN REF. A.

2. ON FEB. 7 WE DID HAVE THE OPPORTUNITY TO BRIEFLY DISCUSS WITH SCHIRATTI THE SUBSTANCE OF REF. A. SCHIRATTI EXPLAINED THE PRICE CALCULATION METHOD, POINTING OUT THAT THE COMMISSION IS NOT OBLIGED TO USE ONLY THE LOWEST WORLD MARKET PRICES IN THE CALCULATION OF THE AVERAGE WORLD MARKET PRICE. HE SAID THE COMMISSION CAN USE ANY PRICE IT CONSIDERS "FAIR". WE GATHER FROM HIS COMMENTS THAT THE COMMISSION TENDED TO USE THE HIGHEST PRICE QUOTATIONS FOR CALCULATING THE 1974/75 PRICE OF 233.98 U.A./MT TO AVOID HAVING TO PAY A SUBSIDY TO PRODUCERS.

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3. WE ALSO DISCUSSED WITH OFFICIALS IN SCHIRATTI'S DIVISION THE COMMISSION'S METHOD OF CONVERTING DOLLAR QUOTATIONS TO UNITS OF ACCOUNT. THIS METHOD IS DESCRIBED BELOW (PARA. 4,5).

4. AS EXPLAINED IN REF. B, THERE NO LONGER IS A FIXED RELATIONSHIP BETWEEN THE DOLLAR AND THE UNIT OF ACCOUNT. THE RELATIONSHIP BETWEEN THE DOLLAR AND THE U.A. IS NOW TIED TO THE DOLLAR SPOT RATES AND TO THE CENTRAL RATES OF THE FOUR EC CURRENCIES, WHICH ARE IN A SO-CALLED JOINT FLOAT (THE GERMAN MARK, BELGIAN/LUX. FRANC, DUTCH GUILDER, AND DANISH KRONER).

5. THE COMMISSION CALCULATES THE DOLLAR/U.A. CONVERSION RATE ON A WEEKLY BASIS. THE FIRST STEP IS AVERAGING THE DOLLAR SPOT RATES OF EACH OF THE FOUR EC CURRENCIES IN A JOINT FLOAT FOR THE WEEK IN QUESTION. THE COMMISSION THEN MULTIPLIES EACH OF THESE AVERAGE RATES BY THE APPLICABLE CENTRAL RATE (EXPRESSED IN UNITS OF ACCOUNT). THESE CENTRAL RATES ARE AS FOLLOWS: 1 DEUTSCHMARK EQUALS 0.310850 U.A.; 1 BELGIAN FRANC EQUALS 0.0205519 U.A.; 1 DUTCH GUILDER EQUALS 0.298056 U.A.; 1 DANISH DRONER EQUALS 0.131956 U.A. THIS MULTIPLICATION TRANSFORMS THE WEEKLY DOLLAR RATE INTO UNITS OF ACCOUNT. (FOR EXAPLE, A \$/DM RATE OF \$2.36/DM, MULTIPLIED BY 0.310580, WOULD YIELD A \$/U.A. RATE OF \$1 EQUALS 0.733 U.A.). THE COMMISSION THEN CALCULATES A SIMPLE AVERAGE OF THE FOUR U.A. RATES AND, VOILA, ONE HAS THE WEEKLY AVERAGE DOLLAR/U.A. CONVERSION RATE.

6. AS IN THE CASE OF THE WORLD MARKET PRICES AND CONVERSIONS USED TO CALCULATE EC IMPORT LEVIES FOR GRAINS, THE COMMISSION REFUSES TO RELEASE THE OFFICIAL DOLLAR/U.A. CONVERSION RATES USED TO CALCULATE THE AVERAGE WORLD MARKET PRICE FOR SOYBEANS. ACCORDING TO OUR CALCULATION, AS PER PARAGRAPH 5 ABOVE, THE CURRENT RATE IS AROUND 1 DOLLAR EQUALS 0.73 U.A.

7. THE COMMISSION'S PROPOSALS FOR THE 1975/76 CAP PRICES INCLUDING THE SOYBEAN GUIDE PRICE) WERE MADE IN NOVEMBER. THESE PROPOSALS ARE THE PRINCIPLAL SUBUECT NOW BEING DISCUSSED AT THE FEB. 10-12 COUNCIL MEETING OF AGRICULTURAL MINISTERS. GREENWALD

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